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# The CIG Annual Report 2013

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## Letter from the Chair

In my work within my own denomination, the United Reformed Church, I have always been aware that churches have a greater impact when they collaborate, be that ecumenically or with other faiths. This is especially true when it comes to investments. Investments are unique in that they give the church a productive voice at the highest levels of the world's largest businesses. We have an important role to play in encouraging the corporate behaviour our congregations would like to see. Through the Church Investors Group our members are able to amplify and maximise this opportunity; it is the church speaking to business as one voice. This is effective in many ways.

Church investors are a distinctive and much needed voice in the investment world. We are different to the wider City asset management groups who are simply urged to seek value from the individual stocks that may make up their portfolios. Church investors see the bigger picture. Through our commitment to Christian principles we are mandated to be effective stewards and look after the whole of God's creation. In addition to working with individual companies where it is necessary to do so we place our efforts on trying to guide the entire market to where it needs to be. This is more than a financial responsibility.

As such it is no surprise that our work this year has been dominated by climate change. Members of the Church Investors Group have long been aware of the need to take environmental issues into account in their investment practice and to take effective action to reduce the man made causes of rising temperatures. Our members are also aware that, from both an ethical and financial perspective, now is the time to take such action. In October 2012, at an event convened by the CIG and St Paul's Institute, former Vice-President of the United States of America, Al Gore, set the tone for the year. He reminded the invited church, charity, and pension fund investors (and their asset managers) of the need to lift their head above their Bloomberg screens and take action. We, alongside our partners, have long heeded this call.

Our members support the Institutional Investors Group on Climate Change in their work pushing governments for a policy framework that would accelerate a smooth transition to a low carbon economy. This is key. However, until a positive framework has been put in place company engagement, alongside integrated investment strategies, remains the area in which the CIG and its members can add the most value.

This is not just words. In 2012/2013 we have continued our longstanding initiative to try and raise standards in the UK market. Our approach uses the Carbon Disclosure project to identify companies across the FTSE350 who could be considered to be laggards in regards to their disclosure of greenhouse gas emissions and the setting of emissions reduction targets. Of the 53 laggards we identified 72% had improved their CDP score by the end of our engagement this year. This is real, meaningful, progress and I am heartened by companies' continued willingness to listen to us, the churches.

2012/2013 has also been an important year for the CIG itself. In November 2012 we finalised our strategy for the next three years. Great strides have already been taken to deliver this vision. We were delighted to welcome affiliations with overseas faith investor groups including SHARE in Canada and the Interfaith Center for Corporate Responsibility (ICCR) in the USA, alongside our growth in direct international members. This is important as we seek to build an investor coalition that is as global as the companies we invest in and the challenges we face. Our first two-day conference in June was also a major step forward for the group. I look forward to seeing the strategy develop as we search for better ways to inform our beneficiaries, the clergy and congregation from our respective church groups, of our activities.

In this final letter of my term as CIG Chair I cannot finish until I have thanked CCLA. Over the year it has become clear how strong CCLA's ongoing commitment to the Church Investors Group is and we should all be grateful to Michael Quicke, CCLA Chief Executive, for his support. In so many ways the ongoing success of CIG is dependent upon this.

I must also thank the rest of the CIG Steering Group who have driven the growth of the CIG over the last few years. Finally, I must thank you the members. The CIG is only as strong as its membership base and can only do what the members want it to do. I thank all of you for your encouragement and support.



Richard Nunn  
CIG Chairman

## Engagement

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The Church Investors Group is committed to encouraging responsible business practices in the companies our members invest in. Members seek to raise standards both across the market as a whole and at specific companies where issues exist. The CIG benefits from the engagement activities of all of our members and, following a resource sharing agreement made in 2009 between the largest members, the group seeks to promote ecumenical collaboration and coordination so as to maximise its effect.

### Market-wide engagement

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#### *Carbon Disclosure Project*

Once again on behalf of CIG members CCLA, funded by the CBF Church of England Funds, continued its longstanding market-wide engagement encouraging companies to report their carbon emissions and adopt emissions reduction schemes through the Carbon Disclosure Project (CDP). In order to raise standards the CIG increased its expectations of companies in 2013. Through this process a laggard company was identified by being a FTSE 100 constituent or a FTSE 250 constituent operating in a carbon intensive sector with a Carbon Performance Score of D or lower. To achieve a C grade a company must disclose a significant amount of information in their response to the CDP and be able to demonstrate positive action on climate change (for example setting and meeting companywide carbon reduction targets). This led to the prioritisation of 53 companies for engagement. Following the completion of the engagement, 72% of the companies contacted had increased their scores and 20 attained the requested C Grade.

#### *FTSE4Good ESG Risk Ratings*

In addition to the Carbon Disclosure Project engagement CCLA, again on behalf of the CIG and funded by the CBF Church of England Funds, conducted an engagement project based on the FTSE ESG Risk Ratings. The FTSE ESG Risk Ratings assess listed companies against environmental, social and governance (ESG) themes and look at six areas; environmental management, climate change, human and labour rights, supply chain labour standards, corporate governance and countering bribery, rating each companies' risk and the steps that they were taking to mitigate this for each of the criteria. CCLA contacted companies that had scored poorly, encouraging them to mitigate better their ESG risks and, in so doing, improve their rating; 37.5% of companies improved their ESG scores.

### Targeted Engagement

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The CIG seeks to maximise the resources of the ecumenical church by promoting engagement co-ordination amongst our members. Over the past year we have been very grateful for our members' pooling of resources.

#### *Royal Dutch Shell*

The Central Finance Board of the Methodist Church (CFB) leads engagement with Shell on the group's behalf. For example, the CFB's Stephen Beer represented the CIG on Shell's investor trip to Nigeria. Stephen was able to relay to our members a firsthand account of the conditions faced by the company. This has helped guide the CIG's on-going wider engagement on its approach to transitioning to a low carbon economy.

#### *Barclays*

The Church of England Ethical Investment Advisory Group have led an extensive engagement with Barclays following the announcement that the Bank had been fined approximately £290m in June 2012 for seeking to manipulate LIBOR. Including meetings at Board level and submissions to the company's Salz Review into Barclays' Business Practices, the engagement, conducted alongside other CIG members, has shown that the new leadership at Barclays are determined to turn a new corner and foster a more ethical culture. CIG members are grateful to the Church of England EIAG for their work and look forward to monitoring developments at the bank moving forwards.

#### *BP*

The CIG's longstanding engagement with BP continued in 2013 with the main focus being the company's strategic approach to transitioning to a low carbon economy. This took place through the 'Aiming for A' initiative where a coalition of investors, including several of the largest CIG members, are encouraging ten major UK-listed extractives and utilities firms to aim for inclusion in the Carbon Disclosure Project's Carbon Performance Leadership Index. James Corah, CIG Secretary, also joined BP on their investor trip to Houston to see at first hand the steps that they have taken to improve health and safety in the Gulf of Mexico.

Engagement meetings also took place with a number of further companies on a wide variety of issues. For more information regarding our engagement activity please contact the CIG secretariat.

## Church investors Group Strategy

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2012/2013 marked the first year of implementing the group's new strategy.

Over the year we were delighted to make further progress in our attempt to build an international faith investor coalition. Agreements were reached with the Interfaith Center for Corporate Responsibility in the USA, SHARE in Canada and we were delighted to be joined at our annual conference by representatives of the Protestant Churches in Germany. The church is the only organization that is as global as the issues that we face and it is important that we work together as investors to leverage the highest possible impact.

The CIG held its first ever two day conference in June 2013. Attended by 64 representatives of church investors from eight countries delegates heard from expert speakers drawn from the church and the wider ethical and responsible investment community. Topics covered included climate change, with external speakers from the University of Oxford's Smith School of Enterprise and the Environment and Bloomberg New Energy Finance; corporate governance; the Catholic Bishops' Conference's Blueprint for Better Business initiative and issues related to child sex trafficking.

The CIG is also committed to helping our members implement best practice responsible investment processes. To this end we were delighted to end the year by publishing 'Church Investment and Climate Change: Framing the Debate'. This guide is designed to remind church investors of the importance of integrating climate change factors into investment strategies and the many options available to do so.

## Finance Report

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With the only outstanding 2013 costs relating to the November member meeting the CIG bank account stands at £12,530.41. This is a healthy balance as we continue to implement the current CIG strategy and will allow the group to commission further external research and redevelop our website.

## CIG Members

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Baptist Union of Great Britain  
BMS World Mission  
The Heart of England Baptist Association  
The Representative Body of the Church in Wales  
The Archbishops' Council  
CBF Church of England Funds  
Church Commissioners for England  
Church Mission Society  
The Mission to Seafarers  
The Church of England Pensions Board  
New Zealand Anglican Church Pension Fund  
USPG – Anglicans in World Mission  
The Representative Body of the Church of Ireland  
The Church of Scotland Investors Trust  
Central Finance Board of the Methodist Church  
Methodist Ministers' Pension Trust  
Trustees of the Methodist Church in Ireland  
The Investment Advisory Board of the Methodist Church in New Zealand  
Christian Aid  
Panahpur  
The William Leech Foundation Limited  
Advisory Committee of the Charifaith Common Investment Fund  
The Apostleship of the Sea  
Catholic Trust for England and Wales  
Congregation of Jesus Charitable Trust  
Diocese of Arundel and Brighton  
Diocese of Birmingham  
Diocese of Hallam  
Diocese of Middlesbrough  
Diocese of Nottingham  
Diocese of Plymouth  
Diocese of Portsmouth  
Diocese of Southwark  
Diocese of Westminster  
Medical Mission Sisters  
Plater Trust  
Servite Friars  
Society of Jesus  
The Religious Society of Friends  
The Joseph Rowntree Charitable Trust  
The United Reformed Church Pension Trust  
United Reformed Church Trust  
The Salvation Army  
The Council of Lutheran Churches

## International Partners

CIG South Africa  
The Interfaith Center for Corporate Responsibility  
SHARE

The CIG secretariat  
is provided by

**CCLA**

Further information is available on the website  
[www.churchinvestorsgroup.org.uk](http://www.churchinvestorsgroup.org.uk) or from the CIG  
Secretary at: [info@churchinvestorsgroup.org.uk](mailto:info@churchinvestorsgroup.org.uk)